Safeguard Duty Imposed on Imported Solar Component

The Directorate General of Trade Remedies has recommended a safeguard duty on solar component imports from China and Malaysia.

- The decision came as a relief for domestic manufacturers who are struggling to cope with a deluge of cheap imports. They believe that the imposition of safeguard duty would be a positive development as it would lead to an improvement in their competitiveness against the cheaper imports.
- This will prevent the complete erosion of the manufacturing base of the solar industry in the country.
- Around 90% of the solar panels used in Indian projects are imported from China and Malaysia, mainly because imported equipment comes 25-30% cheaper than locally made ones.
- All other nations such as the US, the UK, and Taiwan have been exempted.
- The duty will apply for two years in total to imports from China and Malaysia.
- It is broken into three slabs of 25% for the first year, 20% for the first half of the second year, and 15% for the last six months of the second year.
- Products from units located in Special Economic Zones (SEZs) directed for consumption within India will not be exempt from the proposed safeguard duty on solar cells.
- Earlier in 2018, the Director General of Safeguards had recommended setting a safeguard duty of 70% for 200 days on solar imports which was stayed by the Madras High Court.

Directorate General of Trade Remedies (DGTR)

- DGTR is apex National Authority under the Ministry of Commerce for administering all trade remedial measures including anti-dumping, countervailing duties and safeguard measures.
- The DGTR subsumed Directorate General of Anti-dumping and Allied Duties (DGAD), Directorate General of Safeguards (DGS) and Safeguards (QR) functions into its fold by merging them into one single national entity.
- It will also provide trade defence support to our domestic industry and exporters in dealing with increasing instances of trade remedy investigations instituted against them by other countries.
- The DGTR will substantially reduce the time taken to provide relief to the domestic industry and its constitution is in consonance with the goal of “Minimum Government Maximum Governance”.
- The issue of creation of DGTR pending since 1997, was finally approved in May 2018 to provide a level playing field to the domestic industry.

Concerns

- This could raise capital costs for solar projects based on imported modules.
- The safeguard duty may drive up domestic solar power tariffs as a bulk of the projects are already under implementation. In the past, cheap imports have pushed down tariffs for solar power to record lows.
- The cost of supplies from SEZ units, which are a substantial source of solar cells and modules, would increase.
- Some argue that the two-year time period for the proposed duty would be too short to actually

benefit the domestic manufacturers in terms of capacity addition.

- Solar developers, as well as the Ministry of New and Renewable Energy, had argued that any such safeguard duty would hinder India’s ambitious programme of setting up 100GW of solar capacity by 2022.